

**KENTUCKY TEACHERS' RETIREMENT SYSTEM  
MINUTES OF THE QUARTERLY MEETING OF THE BOARD OF TRUSTEES  
September 20, 2010**

Under authority of KRS 161.290(1), the Board of Trustees of the Teachers' Retirement System of the State of Kentucky convened in Regular Session in the Board Room of the Teachers' Retirement System Office, 479 Versailles Road, Frankfort, Kentucky, at 10:00 a.m., Monday, September 20, 2010.

**Board Called to Order**

Barbara G. Sterrett, Chair, called the meeting to order at 10:10 a.m.

**Roll Call**

Members present were:

Laura A. Zimmerman  
Barbara G. Sterrett  
Ruth Ann Sweazy  
Ronald L. Sanders  
Robert M. Conley  
Jay Morgan  
Tom Shelton  
Todd Hollenbach, State Treasurer (joined the meeting at 10:20 a.m.)  
Kathy Jennings, Proxy for the Commissioner of Education

Others present were:

Gary L. Harbin, Kentucky Teachers' Retirement System  
Eric Wampler, Kentucky Teachers' Retirement System  
Robert Barnes, Kentucky Teachers' Retirement System  
Leeann G. Uebel, Kentucky Teachers' Retirement System  
Paul Yancey, Kentucky Teachers' Retirement System  
Kevin Carrico, Kentucky Teachers' Retirement System  
Erlynn Crowe, Kentucky Education Association-Retired  
Fred Hester, Kentucky Education Association-Retired  
Cebert Gilbert, Kentucky Retired Teachers Association  
Brad Gross, Legislative Research Commission

**Item 1 – Reports for Consent:**

Mr. Wampler reported to the Board regarding "Reports for Consent." Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the reports for consent.

**BOARD ACTION:**

Minutes of Last Quarterly Meeting

The Board considered the minutes of the previous meeting held June 21, 2010. Upon motion duly made by Dr. Morgan, and seconded by Mr. Conley, the minutes were unanimously approved as written.

Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds

Upon motion duly made by Ms. Sweazy, and seconded by Dr. Shelton, the Reports for Consent on Applications for Retirement and Annuity, Survivor Benefits, Life Insurance Benefits, and Refunds were unanimously approved by the Board as reported.

Interim Financial Statements: The Interim Financial Statements for the quarter ended June 30, 2010 were presented to the Board. The report was informational and the Board took no action on the Interim Financial Statements.

**Item 2 – Report of the Investment Committee**

The regular quarterly meeting of the Investment Committee was held on August 25, 2010. Mr. Yancey reported to the Board concerning other activities of the Investment Committee and Investment Performance for the quarter ending June 30, 2010.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the “Report of the Investment Committee.”

**BOARD ACTION:** Upon motion duly made by Mr. Conley, and seconded by Dr. Morgan, the Board unanimously approved the “Report of the Investment Committee” and ratified the actions of the Investment Committee.

**Item 3 – Report of the Governance and Audit Committee**

Mr. Sanders reported to the Board that he met with the KTRS internal auditor and other KTRS staff on July 28, 2010. Mr. Sanders reviewed and approved the work of the internal auditor, including the Internal Audit Strategy for Fiscal Year 2011. Mr. Harbin reviewed with the Board some of the details in the Internal Audit Strategy for Fiscal Year 2011.

The report was informational and the Board took no action on the Report of the Governance and Audit Committee.

**Item 4 – Report of the Insurance Committee**

Mr. Harbin reported that a special meeting of the Insurance Committee was held on September 20, 2010 prior to the Board meeting. The Insurance Committee recommended that the Board

approve the following medical insurance benefit supplements:

- KEHP Rates: For plan year 2011, a medical insurance benefit supplement up to \$593.49 per month for those retirees fulfilling the necessary service requirements.
- MEHP Rates: For plan year 2011, a medical insurance benefit supplement up to \$342 per month for those retirees fulfilling the necessary service requirements.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the "Report of the Insurance Committee."

**BOARD ACTION:** Upon motion duly made by Ms. Sweazy, and seconded by Mr. Sanders, the Board unanimously approved the "Report of the Insurance Committee" and adopted the recommended rates for the plan year 2011 as reported.

### **Item 5 – Report of the Appeals Committee**

Mr. Wampler reported to the Board regarding the case considered by the Appeals Committee on September 20, 2010 prior to the Board meeting.

The report was informational and the Board took no action on the Report of the Appeals Committee.

### **Item 6 – Federal Tax Compliance**

Mr. Wampler presented the memorandum regarding Federal Tax Compliance. Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action on the report concerning Federal Tax Compliance.

#### 1. Technical Amendments to Administrative Regulations:

- 102 KAR 1:225. General compliance with federal tax laws. Add new language as Section 1(3) regarding a member's non-forfeitable interest in their accrued benefit to the extent funded upon termination or partial termination of the Kentucky Teachers' Retirement System. Add new language as Section 1(4) regarding a member's non-forfeitable interest in their accrued benefit upon attainment of normal retirement age. The IRS requested both of these changes.
- 102 KAR 1:230. Limitations on benefits. Add new language as Section 6(d) regarding the correction of annual additions that exceed the limits under Internal Revenue Code Section 415, as requested by the IRS.

- 102 KAR 1:245. Rollovers and transfers of contributions to other plans. Add new additional language as Section 3 to clarify the eligible rollover distribution provisions under Internal Revenue Code Section 401(a)(31), as requested by the IRS.

**Board Action:** Upon motion duly made by Mr. Sanders, and seconded by Mr. Hollenbach, the Board unanimously approved the recommendation to authorize staff to file with the LRC the proposed technical amendments to the administrative regulations 102 KAR 1:225, 102 KAR 1:230, and 102 KAR 1:245, and to work with LRC to make recommended changes that do not alter the effect of the Board's action.

2. Proposed Resolution Adopting Annuity Option Tables for the Teachers' Retirement System of the State of Kentucky:

"BE IT RESOLVED, by the Board of Trustees of the Teachers' Retirement System of the State of Kentucky, that the Annuity Option Tables, Effective January 1, 2009, are adopted in accordance with KRS 161.400, and pages 1 through 81 of the Annuity Option Tables, Effective January 1, 2009, are incorporated herein by this reference, and a true and correct copy of page 1 is attached hereto as a specimen of the Annuity Option Tables."

**BOARD ACTION:** Upon motion duly made by Mr. Conley, and seconded by Dr. Morgan, the Board unanimously approved the resolution adopting Annuity Option Tables for the Teachers' Retirement System of the State of Kentucky.

### **Item 7 –Report of the Personnel Committee**

Mr. Harbin reported that the Personnel Committee met in special session on two occasions to consider a furlough plan for KTRS employees. The Personnel Committee authorized staff to develop and implement a furlough plan for KTRS employees consistent with the Executive Branch's plan for state employees. Because the Executive Branch's plan began on September 3, 2010, it was necessary for KTRS to begin implementation of a furlough plan for KTRS employees prior to the September 20, 2010 regular quarterly meeting of the Board. The Personnel Committee unanimously approved recommending the furlough plan for KTRS employees to the full Board at its next quarterly meeting.

Chair Sterrett asked for questions or comments. Chair Sterrett asked the Board to take action and ratify the actions of the Personnel Committee.

**BOARD ACTION:** Upon motion duly made by Mr. Sanders, and seconded by Dr. Morgan, the Board unanimously ratified the actions of the Personnel Committee.

Note: The Chair announced in open session that Item 8 on the agenda (Report of General Counsel on Litigation) would be conducted in closed session and therefore the Board would take up Item 9 on the agenda (Executive Secretary's Observations and Comments) before going into closed session.

**Item 9 - Executive Secretary's Observation and Comments**

Mr. Harbin reported to the Board regarding the Trustee Education Program, and KTRS's receipt of a Certificate of Achievement for Excellence in Financial Reporting. Mr. Harbin's report was informational and the Board took no action.

Mr. Harbin also reported that the contract with the communications consulting firm would end in October 2010. Mr. Harbin recommended that the Board authorize him to negotiate a new contract with the communications consultant for work on an hourly basis to assist with communications in the coming year.

**Board Action:** Upon motion duly made by Mr. Conley, and seconded by Ms. Jennings, the Board unanimously approved authorizing the Executive Secretary to negotiate a reasonable hourly rate for communications consultant services for the period October 1, 2010 through September 30, 2011.

(Note: The Board stopped the regular quarterly meeting from 11:30 a.m. until 1:30 p.m. for lunch and to permit a scheduled meeting of the Personnel Committee.)

At 1:30 p.m., the Board reconvened and the Chair announced in open session an addition to the agenda "Item 10 –Personnel Committee." The Chair also announced that items 8 and 10 on the agenda should be considered in closed session in accordance with KRS 61.810(c), (f), (k), or KRS 161.585(1).

**Board Action:** Upon motion duly made by Mr. Hollenbach and seconded by Dr. Morgan, the Board unanimously voted to enter into closed session to consider items 8 and 10 on the agenda. The Chair announced that the record should reflect that there was a unanimous vote to conduct a portion of the Board meeting in Closed Session to consider items 8 and 10 on the agenda in closed session in accordance with KRS 61.810(c), (f), (k), or KRS 161.585(1).

All guests and staff departed from the meeting room except Mr. Barnes and Mr. Wampler. James Allen and Amy Johnson of Stoll, Keenon & Ogden entered the meeting room.

**Item 8 – Report of General Counsel on Litigation**

Mr. Barnes presented a report concerning litigation pending in Franklin Circuit Court. Mr. Barnes' report was informational and the Board took no action.

**Item 10 – Personnel Committee**

The full Board received a report from the Personnel Committee, which included a report and recommendations of counsel concerning personnel matters. The Board returned to open session with no action being taken in closed session.

**Board Action:** While in open session, upon unanimous consent, the Board approved ending the

closed session portion of the meeting.

**Board Action:** Upon motion duly made by Mr. Sanders and seconded by Dr. Morgan, the Board voted to approve the report and recommendations of counsel concerning personnel matters. Mr. Hollenbach voted no to approving the report and recommendations of counsel concerning personnel matters. Mr. Hollenbach stated that he desired to conduct additional processes, including interviews, before approving the report and recommendations of counsel concerning personnel matters.

### **Adjournment**

There being no further business to come before the Board of Trustees, and upon motion duly made by Dr. Shelton, and seconded by Ms. Zimmerman, and by unanimous consent of the Board, Chair Sterrett declared the meeting adjourned at 3:15 p.m.

### **CERTIFICATIONS**

We, the Chair and the Executive Secretary of the Board of Trustees of the Kentucky Teachers' Retirement System, do certify that the Minutes of Meeting were approved by the Board on December 20, 2010.

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Barbara Sterrett, Chair

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Gary Harbin, Executive Secretary

I, Robert B. Barnes, do certify adherence to the Kentucky Open Meetings Act, KRS 61.800 et seq., in the conduct of this meeting. I have reviewed the minutes for form, content, and legality.

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Robert B. Barnes, Deputy Executive Secretary and General Counsel

I, Eric Wampler, do certify that I was present at the meeting and duly recorded the actions of the Board of Trustees of the Kentucky Teachers' Retirement System at its meeting on September 20, 2010.

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Eric Wampler, Deputy Executive Secretary  
Recording Secretary